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SUBJECT: FTA BENEFITS A MIRAGE SAYS MOROCCAN CEO

REF: RABAT 00627

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¶1. (SBU) Summary: According to Saad Bendidi, Chairman and CEO of palace-controlled conglomerate ONA, the Morocco-U.S. FTA is not significant. This is in part because Morocco produces little to allow it to take advantage of such bilateral agreements. In addition, the U.S. market's complexity makes it hard to access, and potential businessmen consider factors such as the overall business climate before an FTA when considering a market. Bendidi believes that solid business opportunities for Morocco abound regionally and with China. Despite severe drought this year, he feels Morocco's economic outlook is strong, with growth fueled by investment and consumption. Bendidi's comments concerning the FTA suggest the need for further programs to promote it. End Summary.

CEO SAYS FTA NOT SIGNIFICANT

¶2. (SBU) On August 8, 2007, CG and Econoff met with Saad Bendidi, Chairman and Chief Executive Officer (CEO) of Omnim Nord Africain (ONA), a palace-controlled conglomerate headquartered in Casablanca. The meeting focused on the Morocco-U.S. Free Trade Agreement (FTA), which Bendidi feels is not significant to Morocco. He cordially expressed this sentiment in numerous ways, saying that the FTA is not "transformational" or "fundamental," that it is not an economic driver, and that its benefits are a mirage. He went so far as to say that it may have a negative effect on Morocco's economy, and that the FTA with the U.S. is not part of the way Moroccans think.

¶3. (SBU) Bendidi thinks the FTA is not significant for several reasons. First, he believes Morocco negotiates "asymmetric" bilateral agreements from which the country cannot benefit. In his eyes, Morocco produces little and has a narrow market that prevents it from engaging in the type of reciprocal trade that such agreements are designed to encourage. It was this perception that led him to remark that the FTA "has a negative effect in a way," as well as the fact that only certain sectors, such as agriculture, are affected.

¶4. (SBU) According to Bendidi, the complexity of accessing the U.S.

market also diminishes the FTA's importance. Given the U.S.'s immense size, he wondered how Moroccan businesses could target partners. He also lamented the lack of step-by-step guidance on how to put the agreement's provisions into practice. With the exception of those who have prior exposure to the U.S., for example as students, he contends that few Moroccan businessmen access the U.S. market, and those who want to are afraid.

¶15. (SBU) Part of Bendidi's skepticism regarding the FTA lies in his approach to examining markets. He said that a businessman does not start with questions such as, 'What is the tax rate?', which the FTA might impact, but rather with more general questions - is there an opportunity, can I make a profit, are business conditions good? Only after addressing these issues would someone consider the FTA, making it less potent than it may seem.

PLenty OF OPPORTUNITIES CLOSER TO HOME - AND IN CHINA

¶16. (SBU) The appeal and plenty of regional opportunities may best explain Bendidi's assessment of the FTA. Just because you have a text, he said, does not mean you have opportunities. One needs relationships, such as those Morocco already has with neighboring Algeria, Egypt, Jordan, Tunisia, and Turkey. Given that "the potential in the region has been proven more than that with the U.S.," Morocco has decided to collaborate with such countries first, followed by Europe, which is much closer than the U.S. Bendidi finds regional integration more "interesting" than transatlantic cooperation and wants to see more FTAs with Morocco's regional counterparts.

¶17. (SBU) Outside the region, Bendidi says Morocco is more occupied with China than the U.S. Last May, 25 ONA associates spent ten days in China to conduct a review and visit suppliers. Bendidi plainly stated that he has more interest in what China has to offer - cobalt and zinc, for example - than the U.S. (One of ONA's many subsidiaries is a mining company). Even if China is untested as a business partner, it is viewed as competitive in the region, while the U.S. is not.

POSITIVE ECONOMIC OUTLOOK, DROUGHT ASIDE

¶18. (SBU) Bendidi presented a positive outlook on the economy, saying that growth in Morocco is good if you extract the effect of drought. In fact, he said, the sugar crop was better this year than last in irrigated areas. ONA's supermarkets have seen double-digit growth in 2007, and cement and iron consumption surpassed 15 percent at the end of May. Despite these examples, Bendidi's perspective seems at odds with reports of the drought's negative impact. With the cereal harvest radically reduced, unemployment has increased from 7.8 percent in the second quarter of 2006 to 9.4 percent this year, and the GOM reports a loss of 93,000 jobs in the farming sector.

¶19. (SBU) Overall, two factors explain Morocco's strong economic position in Bendidi's eyes - investment and consumption. While he conceded that the public and private sectors, as well as non-profits, must support impoverished communities, he maintained that in cities and some rural areas, consumption is increasing, fueling growth. He noted that Morocco has people with the knowledge, capital and motivation to help the country move forward on its own steam.

¶110. (SBU) Comment: Bendidi echoes some of the sentiments of Casablanca businesspeople who feel it is difficult to take advantage of the FTA. His comments underscore the need for further programs to demystify the FTA and assist Moroccans in finding practical ways to benefit from it. End Comment.

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